

WPPA Finance & Administration Seminar 2026

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# Port Funding Tools: Industrial Development District Levies and Industrial Development Corporations

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# Agenda

- I. Industrial Development District Levies
  - Overview
  - Port case studies
- II. Industrial Development Corporation tools
  - Overview
  - Port case studies
- III. Practice Tips, Resources
- IV. Questions?



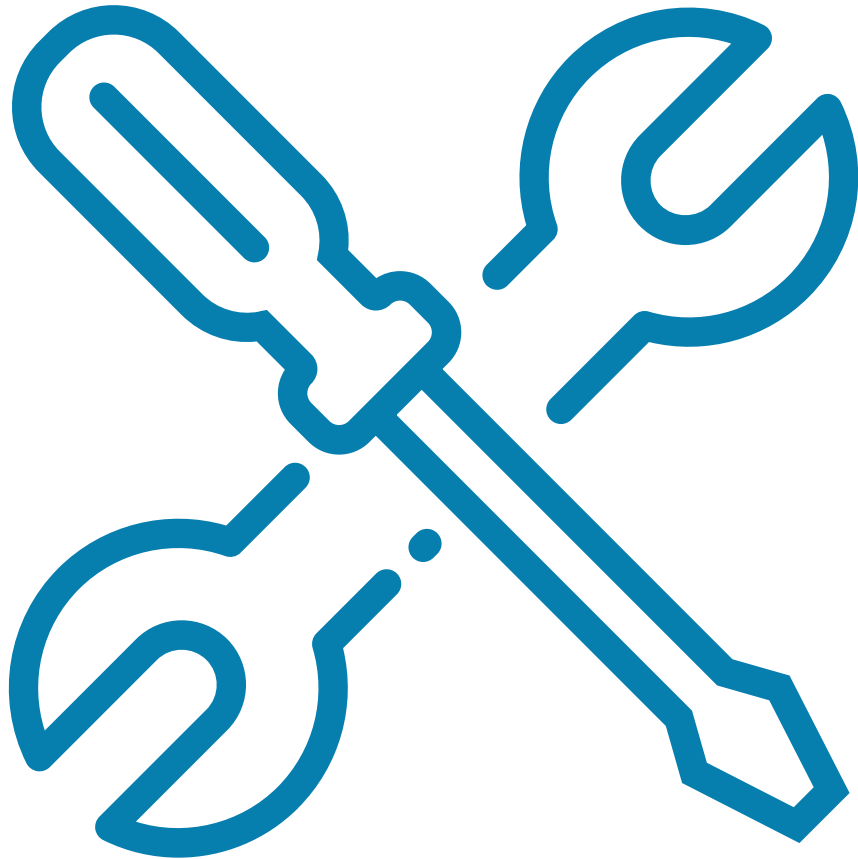


# Roadmap

Key Take Aways

# Port Funding Tool Alphabet Soup

## IDDs and IDCs: Key Takeaways



### **Industrial development districts**

- Additional property tax levy – new revenue\*\*\*
- Detailed statutory procedures
- New statute provides helpful flexibility

### **Industrial development corporations**

- No new revenues
- May allow tenants to access tax-exempt financing
- For specific types of projects
- A helpful tool in a high interest rate environment

# Get to Know our Alphabet Soup: Questions

## IDDs and IDCs

1. Has your port formed an IDD?
  1. Port wide?
  2. Limited district?
2. Has your port levied an IDD levy?
  1. One?
  2. Two?
  3. No one yet with three...
3. Does your port have an IDC?
4. What sorts of projects?





# Industrial Development District Levies

Overview

# Industrial Development District Levies

Provide additional regular property tax levy capacity

- Access **an additional regular property tax levy** to fund improvements within IDD.
- Create one or more IDDs:
  - on “marginal lands”
  - if the Port finds it “proper and desirable in establishing and developing a system of harbor improvements and industrial development in the port district.”
  - [RCW 53.25.010, .040](#).



FEB 9, 2026

Port Industrial  
Development Districts:  
An Overview

For more information, see our article at <https://www.pacificallawgroup.com/port-industrial-development-districts-overview/>

# Forming an IDD

## Flexible options

- Ports will typically have **significant flexibility** in designating IDD.
  - For instance, a Port can designate a **discrete area** within its district as an IDD, such that a single port district could contain multiple IDDs.
  - Examples:
    - Port of Port Townsend



- Alternatively, some Ports have designated **the entire port district** in a single IDD.
  - Examples:
    - Port of Chinook
    - Port of Coupeville
    - Port of Everett

- When designating an IDD, remember:
  - The IDD area can include land owned by the Port or others.
  - A port can delete land from the IDD per RCW 53.25.040, but cannot add land
  - So consider an inclusive approach to including lands.

# Forming an IDD

## Key definition

- “Marginal lands” are, generally, areas that under-used, under-served, and/or under-developed to the economic detriment of the community and local municipalities.
- RCW 53.25.030 defines certain conditions, **any one of which** qualifies an area as “marginal lands,” including:
  - economic underachievement due to faulty planning;
  - poorly shaped or laid out lots negatively affecting development opportunities;
  - inadequate streets, open spaces, and utilities;
  - areas at risk of being submerged by water;
  - economic and social maladjustment causing tax receipts insufficient to pay for public services;
  - unproductive use of land;
  - reduced productive use of land requiring the relocation of public facilities and services;
  - assessed values insufficient to establish a local improvement district; and
  - lands necessary in an industrial area not used for industrial purposes.

# Forming an IDD

Statutory procedures under RCW 53.25.040

1. Identify the geographic area proposed to be designated an IDD, including identifying the presence of “marginal lands”
2. Publish 10 days' notice in a newspaper of general circulation
3. Hold public hearing
4. Publish notice of public hearing
5. Adopt a resolution finding the existence of marginal lands and that creating the IDD is proper and desirable in establishing and developing a system of harbor improvements and industrial development in the port district.
6. Consider amendments to Comprehensive Scheme of Harbor Improvements



# Industrial Development Districts: Port Case Studies

A traditional tool with a new statute



Port of Bellingham

- IDD No. 1
- 1943



Port of Tacoma

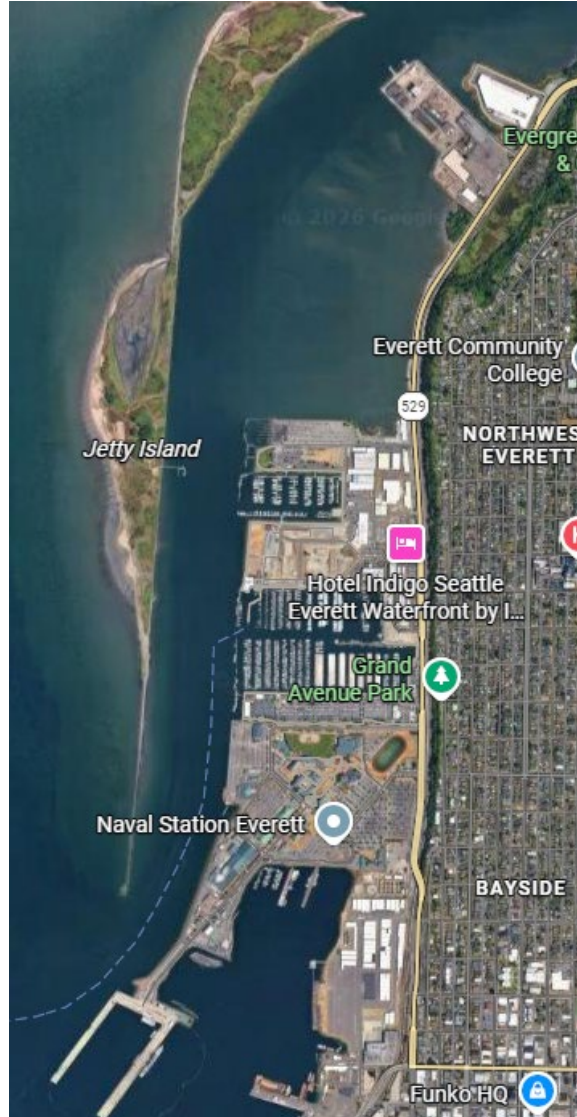
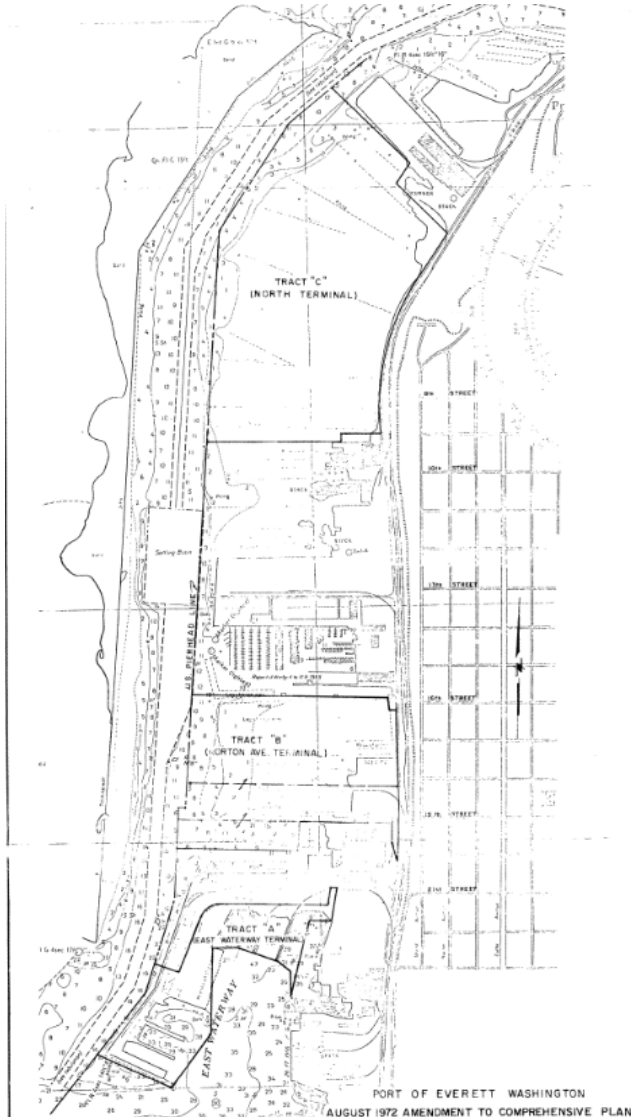
- Frederickson
- Photo: Port of Tacoma



Port of Coupeville

- Entire port district
- 2021

# Port of Everett IDD: Case Study **History**

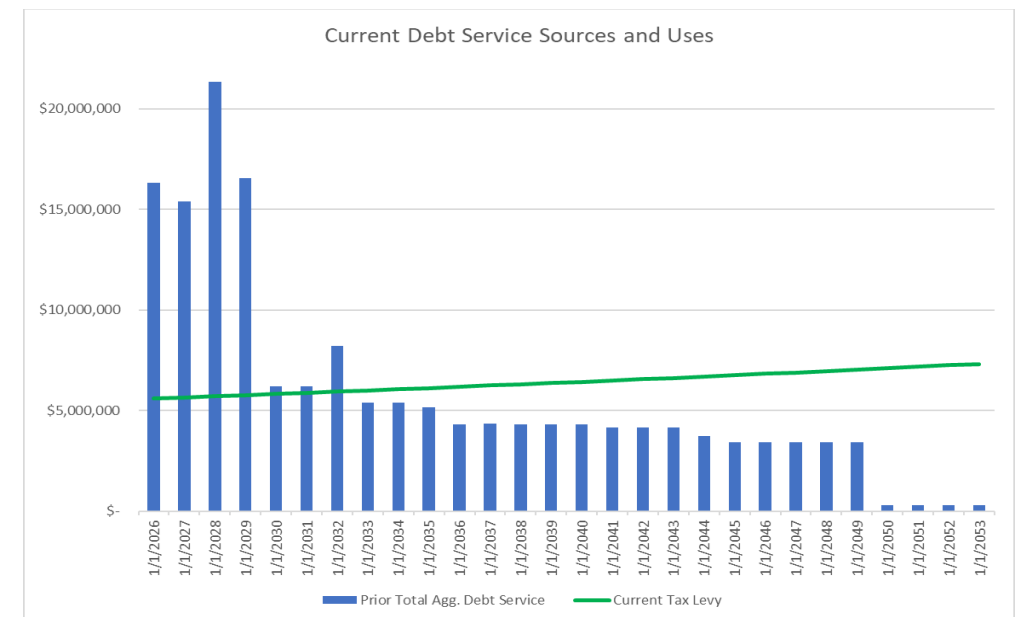


- Port district established in 1918; not a county-wide port
- Port established its first IDD on 3 designated tracts of land around its Seaport and north of its Marina in 1972
- Total financial contribution amounted to approximately \$3.3m over 6 years

# Port of Everett IDD: Case Study **Current Day**

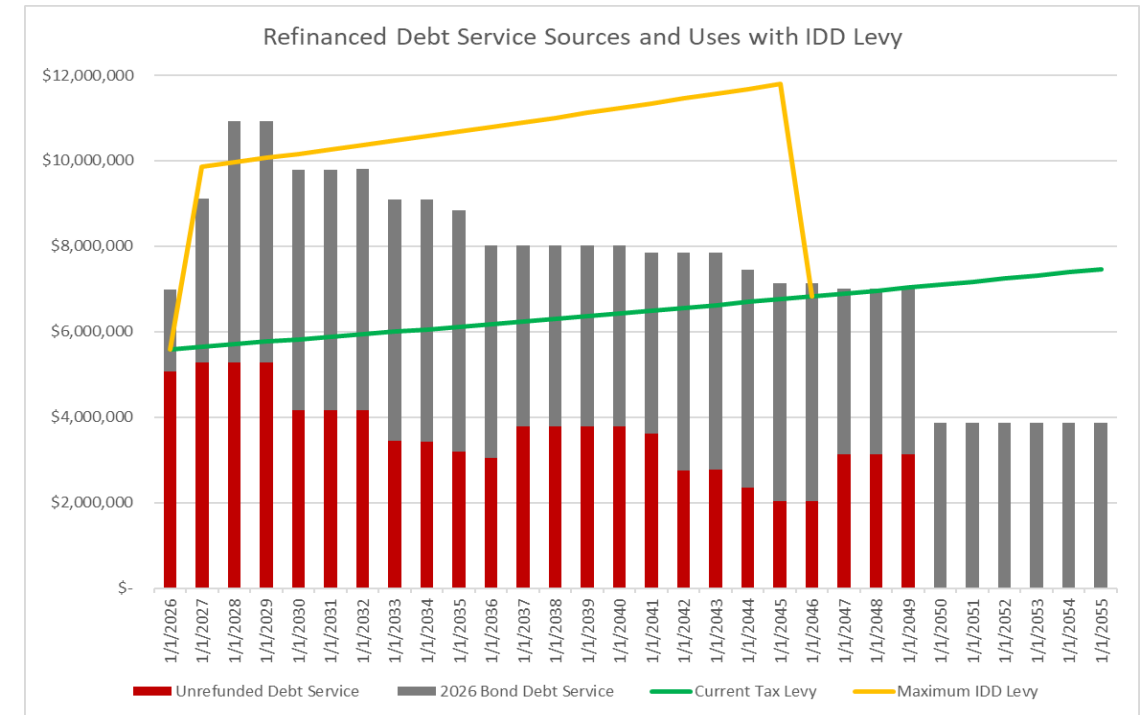
- Port’s current property tax collections amount to approximately \$5.6m, under 10% of the Port’s sources of funding
- Expanding asset base requiring sustainable source of funding to maintain and optimize usability
- Current debt service exceeds property tax collections

Sources		
Seaport Revenues	\$28.7M	41.0%
Marina Revenues	14.9M	21.3%
Properties Revenues	5.6M	8.0%
Grants / Contributions	9.9M	14.2%
Draws from Debt Facilities	3.7M	5.4%
<b>Property Tax Revenues</b>	<b>5.7M</b>	<b>8.2%</b>
Other Revenues	1.4M	2.0%
<b>Total Sources</b>	<b>• \$70.0M</b>	<b>100%</b>



# Port of Everett IDD: Case Study Solution

- In March 2026, Port Commission established Port-wide district and amended its Comprehensive Scheme of Harbor Improvements
- Port Commission then authorized use of 2<sup>nd</sup> and last IDD Levy
- Expected to provide funding of approximately \$85m over a maximum of 20 years
- Funding need will be evaluated annually as part of budget process
- Combined with debt restructuring to provide long-term financial sustainability to Port to allow for continued economic development



An aerial photograph of a city at sunset. The sky is a mix of orange, pink, and blue. In the background, a large, snow-capped mountain (Mount Rainier) is visible. The city below is densely packed with buildings, including a prominent brick clock tower in the center. A harbor with many boats is visible on the left side. The overall scene is a mix of urban architecture and natural beauty.

# Industrial Development District Levies

Port case studies

# Industrial Development District Levies

An additional regular property tax levy

- IDD levies are an additional, separate 45c regular property tax levy
  - IDDs provide a (generally nonvoted) alternative to increasing port's regular property tax levy
  - Compare to levy lid lift, which requires simple majority approval
- Current statute [RCW 53.36.160](#) replaced RCW 53.36.100
- Depending on your port's location, you have one, two or even potentially three multiyear IDD levy periods available to your port district.
  - But, your port may have already levied an IDD levy (research project\*\*)

# Industrial Development District Levies

Additional regular property tax authority

- Having an IDD does not *require* the Port to levy the associated regular property tax, but allows the Port to do so.
- [RCW 53.36.160](#) governs the Port's authority to levy taxes to make improvements within the IDD.
  - Taxes levied pursuant to RCW 53.36.160 are collected from the entire port district
  - But revenues may only be spent in the IDD.



# Industrial Development District Levies

Additional regular property tax authority

- Ports generally may levy the tax for up to two multi-year levy periods of at least six years and up to a maximum of 20 years.
- A Port's first and second IDD levy may be imposed councilmanically (e.g. without voter approval)
  - although the second IDD levy is subject to referendum if a petition containing sufficient signatures are submitted.
  - timing considerations\*\*
- A port district must adopt a resolution during the base year approving the use of a first or second multiyear levy period.



# Calculating the IDD Levy Amount

A maximum levy amount, can be imposed over a period of up to 20 years

- Calculating IDD levy amount:
  - An aggregate amount
  - The amount the Port could have collected for IDD purposes under [RCW 84.55.010](#) (the levy limit) for the first six years of the collection period, calculated as of the base period, plus new construction increases.
  - This is roughly \$2.70/\$1,000 AV (6 x the annual maximum of \$0.45/\$1,000).
- The possibility of imposing the tax over a period of up to 20 years gives the Port flexibility to levy at a lower rate for a longer period to receive the same aggregate amount.
- The Port may set different levy amounts resulting in varying rates over different years; however, the **levy rate in any single year may not exceed \$0.45/\$1,000 AV.**
- The 101% levy limit under [RCW 84.55.130](#) does not apply to a Port's first or second multiyear levy period.
- Use it or lose it
  - If the Port has not collected up to the aggregate authorized amount by the end of the multi-year levy period, it loses the ability to capture that additional amount.

# Calculating the IDD Levy Amount

A maximum aggregate levy **amount**, can be imposed over a period of up to 20 years

- For example calculations, see [WAC 458-19-05001](#)
- WAC Example 2. Assume a qualifying port district has a base year of \$2,200,000,000 assessed value, with fluctuating increases/decreases over the course of the six years. There are new construction increases in years three and six. The maximum allowable amount that could have been levied under RCW [84.55.010](#) for the first six collection years of the levy period is computed as follows:

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
(A)	Assessed value (AV)	\$2.5M	\$2.0M	\$1.4M	\$1.8M	\$2.3M	\$2.8M
(B)	Highest prior lawful levy	n/a	\$1.125M	\$1.125M	\$1.125M	\$1.125M	\$1.125M
(C)	(B) + 1% growth	n/a	\$1,136,250	\$1,136,250	\$1,136,250	\$1,136,250	\$1,136,250
(D)	Statutory max, @ 45¢/ \$1,000 AV	\$1,125,000	\$900,000	\$630,000	\$810,000	\$1,035,000	\$1,260,000
(E)	New construction increases	n/a*	\$0	\$100M	\$0	\$0	\$800M
(F)	Multiply (E) by prior year levy rate	n/a	\$0	\$45,000	\$0	\$0	\$360,000
(G)	Levy limit: Lesser of (C) and (D), plus (F); and not exceeding (D)	\$1,125,000	\$900,000	\$630,000	\$810,000	\$1,035,000	\$1,260,000
(H)	Regular property tax levy rate: (G) divided by (A)	45¢	45¢	45¢	45¢	45¢	45¢

- The aggregate revenue amount for the period is the sum of the levy limits (row G), which is \$5,760,000. A port district may collect this aggregate revenue amount in up to 20 levies for the period.

# Imposing the IDD Levy

The IDD levy is a regular property tax

- Impose levy to pay for improvements with the IDD. Three options:
  - One, spend on IDD improvements in the year of the levy (pay-go or GO debt service)
  - Two, carry over and keep in a fund for IDD use (pay-go or GO debt service)
  - Three, if at the end of the multi-year levy period more has been collected than ultimately is needed for the Port's projects as laid out in its CSHI, any additional revenue from the tax may be used only to retire general obligation bond debt.



# Industrial Development Corporations

Overview

# Industrial Development Corporations

A financing tool for port tenants

- Ports may form industrial development corporations (IDCs) under chapter 39.84 RCW to serve as conduit issuers of tax-exempt bonds
- IDCs are separate public corporations authorized to be formed by ports, cities and counties.
- A number of Washington ports have formed IDCs
  - Another option: refer your port tenants to the state-wide issuer, WEDFA, see [wedfa.org](http://wedfa.org).
- May be formed “for the purpose of facilitating economic development and employment opportunities in the state of Washington through the **financing of the project costs of industrial development facilities**”



MAY 2, 2023

Tax-Exempt Bonds: A Quick Guide to Industrial Development Bonds

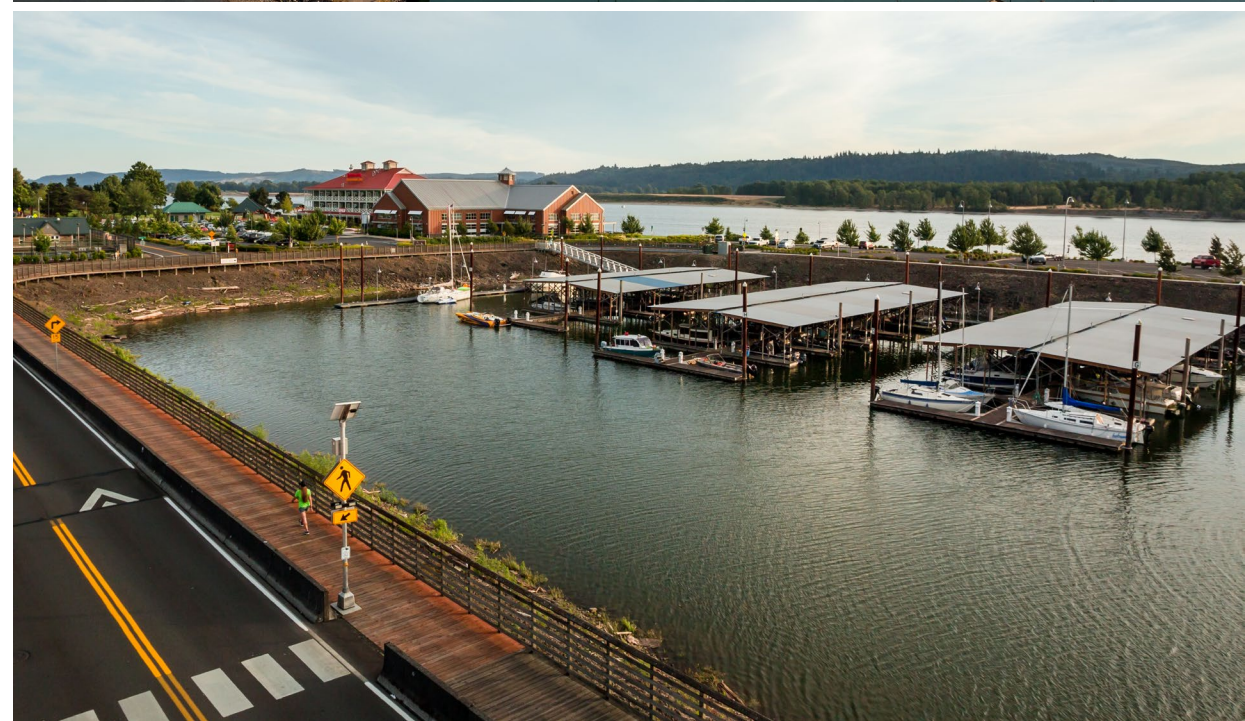


<https://www.pacificallawgroup.com/tax-exempt-bonds-a-quick-guide-to-industrial-development-bonds/>

# IDCs are an economic development tool

Provide port tenants with access to tax exempt financing

- Bonds issued by an IDC are paid from and secured by payments from the private business owner or lessee of the financed facility
  - with **no recourse** to the port or its IDC.
- Commonly known as industrial development bonds or IDBs.
- The IDC serves solely as a “conduit” issuer of IDBs allowing the tenant to issue tax-exempt bonds or incur a tax-exempt loan.
- IDBs can finance industrial development facilities under state law
- To be tax-exempt, the facility also must qualify under the Internal Revenue Code



# IDC Revenue Bonds or IDBs

## Nonrecourse to the port

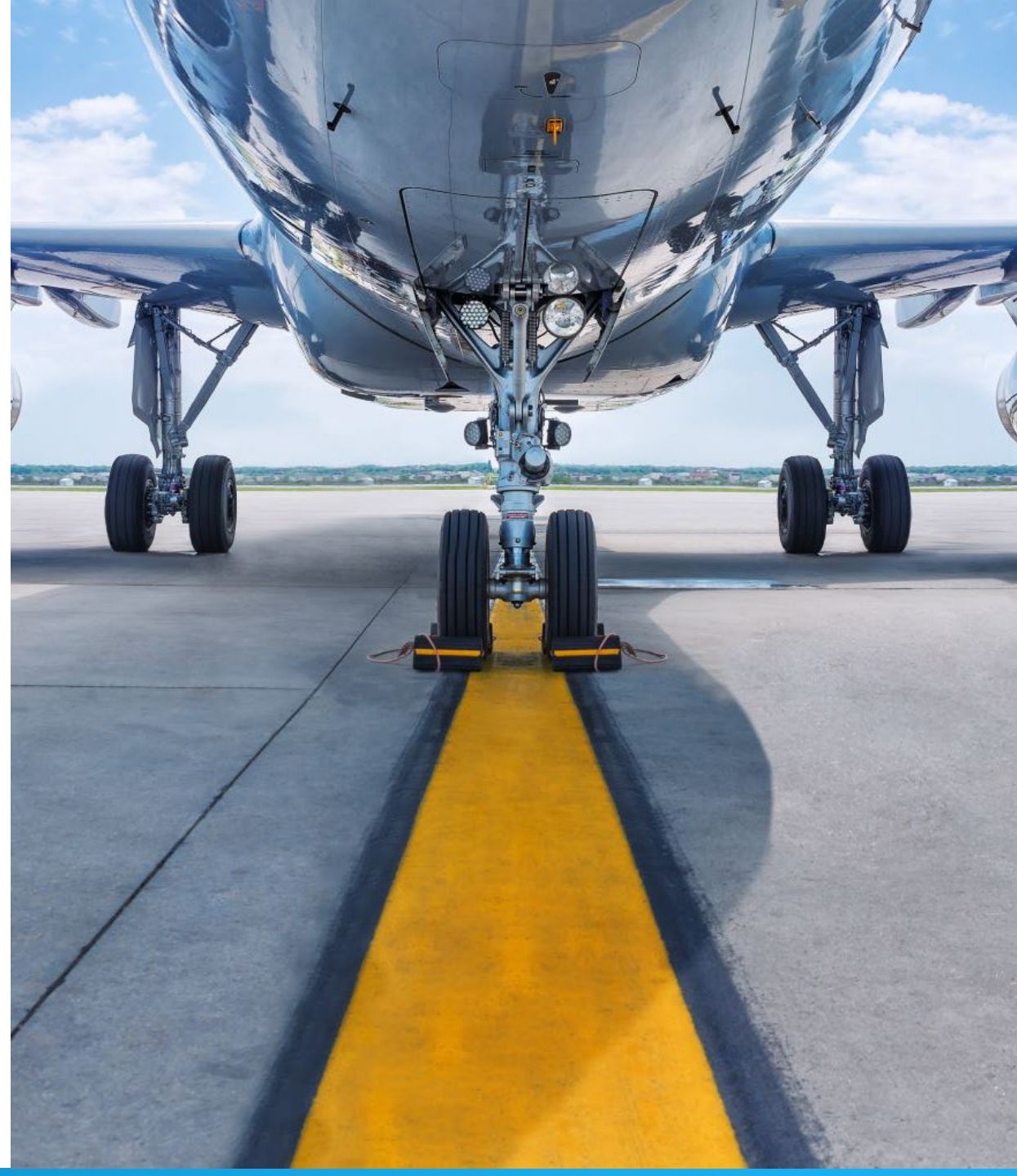
- Revenue bonds are secured by a pledge of unexpended bond proceeds and the revenues and receipts received by the IDC from the industrial development facilities funded by the revenue bonds pursuant to financing documents.
- Approvals; TEFRA hearing
  - Bonds must be approved by the Port Commission and the IDC Board
  - Bonds require public hearing (TEFRA hearing).
  - Planning jurisdiction approval (e.g. county or city)
- No public funds are pledged to or used to repay the debt. **The forming city, county or port cannot lend credit or give funds to the IDC for project costs.**



# Industrial development bonds

## Categories of tax exemption

- Prior to 1986, IDBs were available to finance a wider range of projects under federal tax law. Today, IDBs are available for specific types of qualifying facilities with qualified private activity bonds (“PABs”), each with differing characteristics and restrictions, including
  - qualified small issue manufacturing bonds
  - exempt facility bonds
  - qualified 501(c)(3) bonds
- Exempt facility bonds may be used to finance a variety of privately-owned facilities, including but not limited to
  - Airports
  - docks and wharves
  - facilities for the furnishing of water and energy
  - sewage and solid waste facilities
  - green/sustainable design projects,
  - facilities relating to certain types of transportation.
  - Qualified broadband and carbon capture facilities were recently added to the list of Section 142 exempt facilities.



# IDBs: Small Issue Manufacturing Facilities

Provide tenants with access to tax-exempt financing

- Under Section 144(a) of the Code, IDBs may be issued to finance or refinance the acquisition, construction, reconstruction, or improvement of **manufacturing facilities**.
- The Code requires that 95% or more of the net proceeds of the bonds be used to finance a “manufacturing facility”
- Defined as “any facility which is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property)”
  - as well as facilities that are “directly related and ancillary to a manufacturing facility,” if they are located on the same site as the core manufacturing facility and are not financed with more than 25% of the net bond proceeds
- Must be a “small issue”
- For IDBs issued after December 31, 2006, a borrower / principal user of facilities within a particular jurisdiction may benefit from up to \$10 million of outstanding bond proceeds plus \$10 million of capital expenditures within the six-year period straddling the issue date.
- However, the principal amount of the current bond issue remains limited to \$10 million
- So → six-year capital project limit of \$20 million and bond limit of \$10 million

# Examples of Manufacturing Facilities

## Changing the condition of personal property

- Formal guidance on what constitutes manufacturing for purposes of Section 144(a) is scarce; however, the IRS has provided some private letter rulings (“PLRs”) on the matter.
  - PLRs cannot be relied upon by anyone other than the taxpayer requesting the ruling
  - But they can provide insight for certain fact patterns.
  - In general, the available guidance suggests a requirement that **facilities transform a product or material into a different, usable product.**
- IRS okayed:
    - a facility that converted rolls of papers into paper bags
    - an integrated printing facility that transformed paper and ink into printed products
    - an ocean-going vessel that harvested and transformed scallops into a processed product ready for commercial consumption and use
- IRS disallowed:
    - a facility that bred, grew, harvested and packaged fish
      - more in the nature of an agricultural facility
    - “reverse vending machines”— machines situated in grocery stores that accepted used beverage containers, crushed and sorted the glass or aluminum according to color, and dispensed a monetary deposit
      - they did not form an intermediate product, but rather simply facilitated storage of used recyclable containers until they were collected and taken to a recycling facility

# Examples of directly related and ancillary

## Facilities eligible to be included

- Short-term warehousing space for raw materials or temporary warehousing space for finished products
- On-site testing facilities
- Loading docks for unloading raw materials or loading finished projects
- Forklifts or similar equipment
- Must be on same site
- Subject to 25% limit
- Any facilities for distinct and separate economic activities are generally not considered directly related and ancillary to the manufacturing facility.

# Other Examples of Qualifying Categories

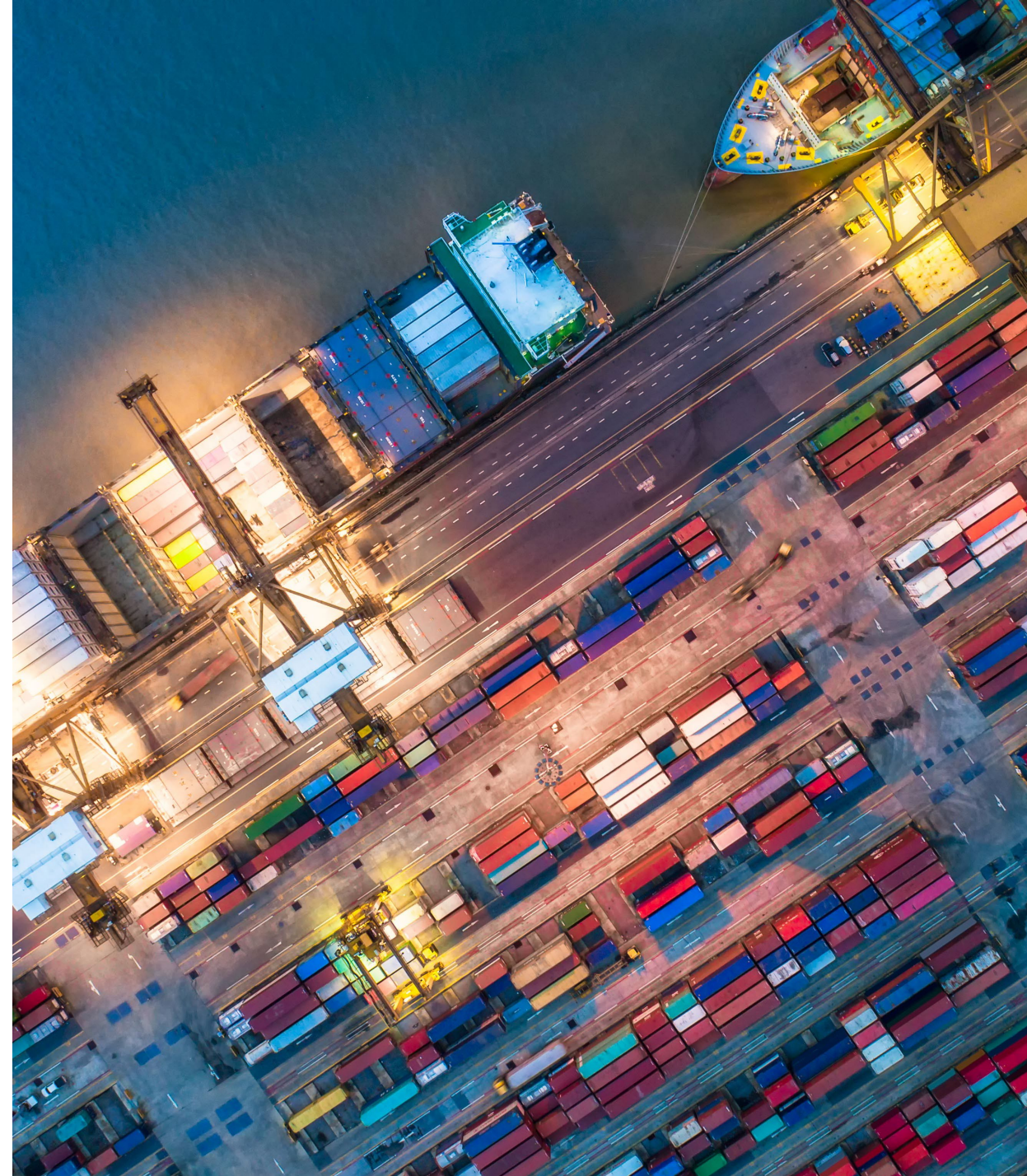
## Financing facilities

- Dock and wharf: property that is functionally related and subordinate to a dock or wharf such as:
  - the structure alongside which a vessel docks
  - the equipment needed to receive and to discharge cargo and passengers from the vessel such as cranes and conveyors, related storage, handling, office, and passenger areas, and similar facilities
- Airport: facilities that are directly related and essential to:
  - Servicing aircraft or enabling aircraft to take off and land, or
  - Transferring passengers or cargo to or from aircraft.
  - Examples of facilities which satisfy those requirements are terminals, runways, hangars, loading facilities, repair shops, and land-based navigation aids such as radar installation.
- 501(c)(3) facilities
- Solid waste facilities
  - the processing of solid waste in a final disposal process
  - an energy conversion process
  - a recycling process
  - Absent an express restriction to the contrary, a qualified solid waste disposal process may employ any biological, engineering, industrial, or technological method

# Other limitations

A number of tax requirements may apply

- Airport/dock and wharf
  - Public use: the facility must serve or be available on a regular basis for general public use
    - A hangar or repair facility at a municipal airport will qualify as a facility for general public use even if it is owned by, leased, or permanently assigned to a private person, provided that such facility services the general public, such as a **common passenger carrier or freight carrier**.
    - A private dock or wharf owned by or leased to, and serving only a single manufacturing plant would not qualify as a facility for general public use. However, if the private owner or lessee of such dock or wharf who serves the general public, such as a common passenger or freight carrier, the facility will be considered to be available for general public use.
  - Governmental ownership; may be leased if lease meets certain safe harbor requirements
  - Do not require volume cap (compare to small issue manufacturing and solid waste, which do require volume cap)



# Key Types of Tax-Exempt IDBs

	Small Issue Manufacturing	Dock and Wharf/Airport	Solid Waste	Qualified 501(c)(3)
IRC Section	144(a)	142(a)(1) and (2)	142(a)(6)	145
Purpose	Manufacturing or production of tangible personal property	Dock, wharf, airport	Solid waste processing, energy, recycling	Owned by a <a href="#">501(c)(3) organization</a> or a governmental unit
Public Use Required?		✓	Assumed	
Governmental Ownership Required?		✓		
Volume Cap Required?	✓		✓	
Project Size Limit	✓			
Bond Amount Limit	✓			
Certain Uses Prohibited	✓	✓	✓	✓



# Industrial Development Corporations

Port case studies

# Examples of Port IDCs/EDCs

Port economic development or industrial development corporations

Port of Longview  
(first\*\*)

Port of Seattle

Port of Bellingham

Port of Olympia

Port of Benton

Port of Kennewick

Port of Pasco

Port of Quincy

Port of Skagit

Port of Woodland

Port of Port Townsend

Port of Anacortes

Port of Moses Lake

Port of Centralia

Port of Chehalis

Port of Port Angeles

Port of Grays Harbor

Port of Kalama

Port of Walla Walla

Port of Camas-  
Washougal

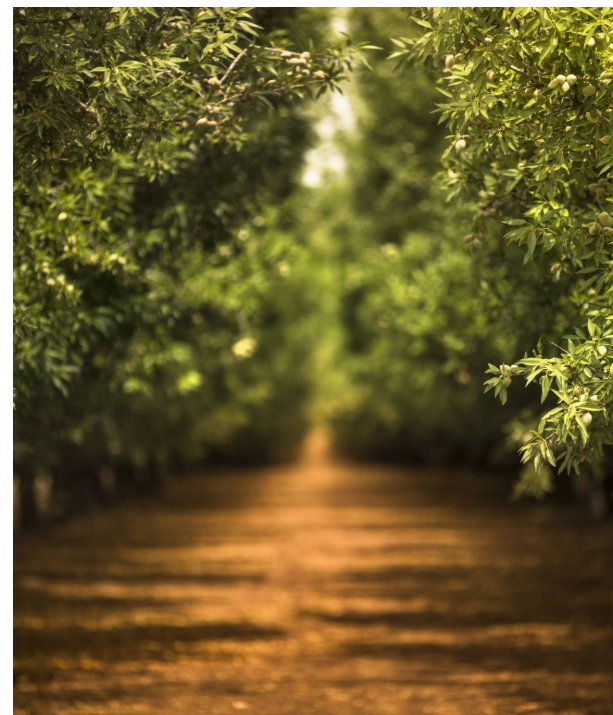
Port of Douglas  
County



# Examples of Port IDC issued IDBs

## Across Washington state

- Port of Quincy IDC
  - Dodson Road Orchards
  - \$5,000,000
  - 1998
- Port of Bellingham IDC
  - BP West Coast Products LLC
  - \$50,000,000
  - 2006
- Port of Kennewick EDC
  - Cascade Columbia Foods
  - \$3,500,000
  - 1988
- Port of Seattle
  - Delta Airlines
  - \$66,025,000
  - 2012



# Examples of Facilities Financed by WEDFA

## Financing exempt facilities

### Husky Terminal and Stevedoring, LLC

- Dock and wharf
- \$40,130,000
- 2025



The Northwest Seaport Alliance welcomed YM Triumph, Yang Ming Marine Transport Corporation's newest 11,000 twenty-foot equivalent unit (TEU) vessel on Aug. 27. It is the largest vessel so far to call at Husky Terminal. *The Northwest Seaport Alliance*

### Recology, Inc

- Solid waste
- \$23,000,000



### Propeller Airports Paine Field, LLC

- Airport
- \$8,370,000 (tax-exempt portion)

#### \$50M in financing for private airport terminal at Paine Field

by AHMED NAMATALLA, Associated Press | Fri, April 20, 2018 at 1:34 PM



FILE - Lawmakers, CEOs and other influential people broke ground in June 2017, on a new 30,000 square foot passenger terminal at Paine Field in Everett, Wash. (KOMO News)

### Novelty Hill Properties, LLC

- Small issue manufacturing
- \$4,340,000

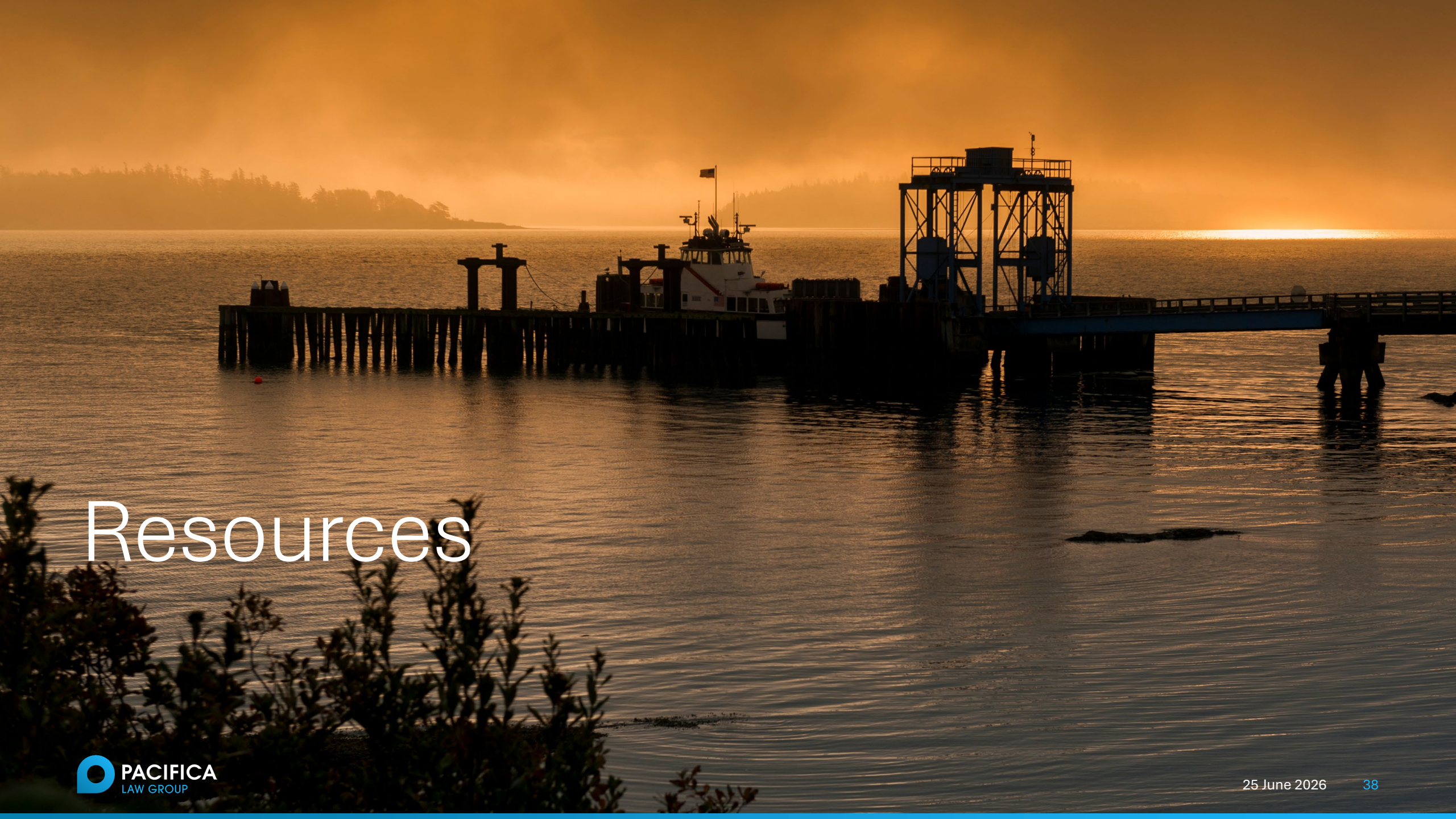


[https://wedfa.org/WEDFA\\_Transactions.pdf](https://wedfa.org/WEDFA_Transactions.pdf)

# Practical considerations

## Right tool for the job?

- Creditworthiness
  - Private activity bonds issued by the IDC are considered non-recourse revenue bonds because bondholders have recourse against only those revenues that are pledged by the borrower
  - Does the **borrower** have sufficient creditworthiness for a public bond issue or bank private placement ?
- State law
  - Industrial development facility
  - Neither IDCs nor their forming entities may provide credit enhancement to the bonds
- Federal tax law
  - Exempt facility
    - Airport
    - Dock and wharf
    - Solid waste
    - Other categories
  - Small issue manufacturing facility
  - Qualified 501(c)(3)
  - Other requirements
  
  - ***Key consideration is the value of tax exemption in the current market***



# Resources

# Resources

For more information, see the following articles at <https://www.pacificallawgroup.com/news-events/>



FEB 9, 2026

Port Industrial  
Development Districts:  
An Overview



MAY 2, 2023

Tax-Exempt Bonds: A  
Quick Guide to  
Industrial  
Development Bonds



JUN 23, 2025

Washington's Public  
Ports: Financing  
Airport and Seaport  
Infrastructure



# Questions?



# Thank You

Please let us know if we can provide any other information. We formed Pacifica specifically to be of service over the long term to ports and other PNW public entities.

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Washington ports team\*



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